

Wasylichak, Steven

From: chris kwan, [chris@sydneyx.com]
Sent: Sunday, December 26, 2004 10:31 AM
To: Wasylichak, Steven
Subject: Application 09-628098



09_628098_followup21

_24.pdf

Khai Hee Kwan

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Dear Sir,

I am the applicant for the above application and accordingly attaching our response to your action letter mailed 29 Nov 2004. A copy of this has already been faxed to your Art Unit. This electronic copy is served as a backup in case there is problem with our faxed copy. Thanking you in advance.

Yours Truly

KH KWAN
023336

Application number: 09/628098

Art Unit: 3624

Applicant: Khai Hee Kwan

Examiner: Steven R Wasylchak

Title: Computer System and Method for online display, negotiation and management of loan syndication over computer network.

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

TO: Commissioner for Patents

USPTO

5 Alexandria, VA 22313-1450

Sir:

In reply to Office Action mailed on Nov 29, 2004.

10

The examiner has alluded in the above, informalities pertaining to claims amendments for claim 21 and 22-24 filed on Aug 29 2004 as failing to comply with 37 CFR 1.111 (b).

15

Our response.

Claim 21.

20

Claim 21 is claiming for elements computer, programmable codes wherein receiving a loan syndication request from loan syndicator and accepting potential lender's commitment to said request.

25 **In Herschkorn (US 6691094)**, this invention deals mainly in listing and trading of a loan instrument over a network via the matching of bids and offers (Col 1 line 5-10) .

Herschkorn did not address an apparatus for syndicating a loan. Herschkorn teaches a system whereby loan sellers and buyers could trade loans over a network which is mainly between one seller meeting the asking price of a buyer and vice-versa over a network.

30 Herschkorn did not teach of a loan syndicator soliciting a plurality of potential lenders for the purpose of syndicating a loan and accepting said commitments, the subject matter not obvious in view of Herschkorn. As the word "syndication" implies, there is more than one potential lender as compared to Herschkorn's invention for one buyer and seller.

35 While a loan is capable of being offered by an auction which involves a number of potential bidders and one seller instead of the direct match method above, the main end result is usually one seller and the highest bidder. Our claimed invention is for a potential lender wanting to form a loan syndicate (hence we use the word commitments to distinguish it from sale/purchase of loans) while as in Herschkorn the bidders are bidding to buy a loan already in existence (not in formation) and hence capable of being sold by
40 assignment. Our loan syndication's commitments could not be sold by assignments.

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The mentioned of “syndicate” or equivalent in the said prior art is found in Col 1 line 15 and we quoted “ Large corporations and trusts arrange bank loans in facilities provided by a group of banks and financial institutions, otherwise known as a syndicate “

5 The teaching above shows that a loan provided by a group of banks and this group is known as a syndicate. The word ‘syndicate’ is generic to mean a group of entities doing something together is well known. The same can be said of a group of drug dealers providing drugs as a drug syndicate. But knowing ‘syndicate’ to mean a group of banks by itself does not teach the elements in claim 21 wherein codes to receive request and
10 accept commitments over a network. Herschkorn did not teach how this syndication could be or should be done. The word “provided” certainly could mean anything from a group of bankers having dinner and deciding to provide a loan to entity X or a group of bankers bidding for the rights to form a syndicate with non-banks or even entity X dictating a group of banks of its own choice to form an interest to provide a loan to X. In
15 fact, unless the examiner can show otherwise, it is fair to say that Herschkorn provided no teaching at all. Furthermore, even if syndicate could be shown, it must also show the appropriate elements. For example, a drug syndicate or examination syndicate or film syndicate could not have the same programmable codes as for a loan syndicate, the subject matters being different. In fact, there are many types of syndicates but they do not
20 necessarily apply the same process implemented by claimed codes relative to the subject matter. For example, a drug syndicate would probably requires its potential members to place a deposit first as good will to form the syndication given the risky nature which is not found in our claim 21. An examination syndicate would require its potential members to submit their examinable syllabus for standardization as part of the formation which is
25 also not found in our claim 21.

In short, how this loan arrangement is provided was not fairly taught in Herschkorn. Without teaching how this arrangement works, how could one skilled in the art practice such arrangement as our claimed elements ?

30

Obvious to try.

While it is arguable that by knowing that a syndicate could exist for a loan or stated differently, a loan could be syndicated, one skilled in the art of loan origination may wish
35 to try in view of the prior art. As we mentioned, there are many methods to syndicate something and for a certain subject matter, then the next question is whether it is obvious for one skilled in the art could reach our claimed method ? In particularly how the syndication could be practiced over a network. The examiner provided no evidence of this except by pointing to the words ‘syndicate’. Obvious to try is not the standard for
40 obviousness determination.

In our claim 21, the server receives a request from a syndicator (ie the lead bank mandated by the borrower) and can accept potential lender’s commitment. Also note that

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our 'commitment' element has special meaning as found in our specification, for example: conditional, unconditional, provisional (also see Fig 5). Surely this 'commitment' could not be the same as 'sale' in Herschkorn. In re Gordon, 733 F.2d 900, 902, 221 USPQ 1125, 1127 (Fed. Cir. 1984) (Although a prior art device could have been turned upside down, that did not make the modification obvious unless the prior art fairly suggested the desirability of turning the device upside down.).

Motivation

10 MPEP 2143.01 which indicates: " 'There are three possible sources for a motivation to combine references: the nature of the problem to be solved, the teachings of the prior art, and the knowledge of persons of ordinary skill in the art.' In re Rouffet, 149 F.3d 1350, 1357, 47 USPQ2d 1453, 1457- 58 (Fed. Cir. 1998) ". Even for a single reference, a
15 motivation must be found to modify (B.F. Goodrich v. Aircraft Braking Sys. Corp., 72 F.3d 1577, 1582, 37 USPQ2d 1314, 1318 (Fed. Cir. 1996)

The examiner provided no motivation. Herschkorn's invention is for the trading of such loan and not in originating such loan, hence the appropriate question is how would one skilled in the art of loan trading would see the need for originating a loan when this is not required as part of loan trading. In short, the fact that a loan is tradable means the loan is already in existence and hence what is the motivation to create a loan through syndication ?

25 No problem associated or sourced from loan trading were articulated to reveal loan syndication.

And even if the need for origination of loans could be shown, it still requires the type wanting syndication and not ALL loans need to be syndicated. The examiner provided no reasons to show a need for originating a loan and further the type of loan requiring syndication in view of Herschkorn by one ordinary skilled in the art. Claim 21 also includes the element of a loan syndicator but this is not found from the teaching of a group of banks (otherwise known as syndicate) and does not fairly teach loan syndicator. What is the loan syndicator's function in a loan trading system ? And what are the roles of potential lenders in a loan trading system ? Do they have any roles such that they are necessarily in a loan trading system ? Surely potential lenders are not the same as loan buyers.

40 The word syndicate also appears in Col 1 line 37 "A revolver provides a commitment from the syndicate for the borrower to draw upon a set amount of money until the maturity date "

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5 This teaching shows a syndicate to provide commitment through a revolving facility or an element to be considered during syndication. In claim 21, the element potential lender is important as this alludes to the process of syndication and not the product of syndication ie whether the loan is revolving or otherwise. As read above, the word 'syndicate', shows
10 that a syndicate has been formed. In short, claim 21 deals within the framework where potential lenders could negotiate the yet to be formed facility between themselves and originator over a network in view to form a syndicate. Whether a revolver may or may not be provided as part of the commitment towards the syndication, this by itself does not show claim 21 where programmable codes stored in an apparatus implementing a process to form a syndicate is claimed.

15 In Col 2 Line 31 "An administrative agent provides the processing of paperwork and movement of funds associated with a bank loan on behalf of the syndicate and the borrower."

The teaching 'syndicate' clearly shows a process after the loan syndication has been completed and not related to our claim 21 to receive a request from syndicator and accepting potential lender's commitment.

20 In Col 9, line 52 "In addition, even if the bank loan was allocated in even million dollar increments during syndication, prepayments and scheduled amortization payments may result in borrowers owing odd amounts to members of the bank group."

25 This obviously shows problems relating to repayment of a loan in different amounts etc. The teaching shows "even if" to counter a particular problem faced by Herschkorn's invention. More importantly this 'problem' alone could not possibly spurred one skilled in the art to modify a loan trading system to a loan syndication system as the problem lies with loan repayment art and certainly would not be solved by syndication as marked by "even if". It is at best one issue (allocating either even or odd amount) known in
30 syndication which leads to problem in repayment and expressly mentioned to be unsolvable even by adjusting to EVEN allocation. While this actually teach a part of the syndicating process (allocating even amount), it fails to solve Herschkorn's problem and this element is not claimed by the applicant. In short, Herschkorn found no particular solution to his problem and his suggestion alluding to syndication is intended to show
35 there is no solution even by manipulating the amount as part of the syndication process. A failed solution adds no knowledge to the art and even if it teach, this is not what is being claimed.

40 But more importantly as a whole, Herschkorn teaches a loan trading system and NOT syndication of said loan. Further, there is no motivation evidenced by the examiner to modify a loan trading system in Herschkorn to one of syndication or origination of a loan. "unless the prior art suggested the desirability of [such a] modification" or replacement. In re Gordon, 733 F.2d 900, 902, 221 U.S.P.Q. (BNA) 1125, 1127 (Fed. Cir. 1984). For

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an obviousness determination even where only one prior art is used, there must be a motivation raised. See B.F. Goodrich v. Aircraft Braking Sys. Corp., 72 F.3d 1577, 1582, 37 USPQ2d 1314, 1318 (Fed. Cir. 1996). Why would Herschkorn modified his invention to syndicating a loan when his primary goal is to trade loan instruments ? Ie loan that is already in existence.

Our subject matter is syndicating a loan and not loan trading. In short, while Herschkorn taught of trading of loans, he did not fairly teach syndication of such trading or loans. See Corning Glass Works v. Sumitomo Elec. U.S.A., Inc., 868 F.2d 1251, 1255-57, 9 USPQ2d 1962, 1965-66 (Fed. Cir. 1989) ("To read the claim in light of the specification indiscriminately to cover all types of optical fibers would be divorced from reality.") If a loan is already executed or formed then there is no motivation for to syndicate (the process of engaging a group of banks to form a loan). It is also not pertinent for ALL loans to be syndicated and in most cases a single bank can provide the loan individually. For example most housing loan is by one bank and these could be securitized collectively and offer in part for trading on the open market is well known. Obviously securitization of loans is not the same as loan syndication as it combines loans that are already in service. Therefore, the necessary motivation is not only to originate a loan but one skilled in the art must be able to see a further need to syndicate the loan in view of the prior art.

Herschkorn was merely stating a known fact that large corporation's loans are syndicated and these loans could be traded by his invention. But there is no teaching how this syndication could be done and even if it is known in the art, there is no evidence it is obvious to do it over a network as claimed. Herschkorn did not suggest syndication is necessary in view of his trading of loans nor any problems relating to loan trading such that would motivate one to modify for syndication purposes were evidenced. In fact, Herschkorn's invention should work with ALL type of loans.

It is clear that the examiner has not appreciated the difference between the subject matter (loan trading) found in Herschkorn and in our claimed invention (syndicating of loan), the difference in view as a whole is not obvious as the examiner did not articulate this difference to show its obviousness nor could any motivation be found to modify a system for trading loans to one of originating loans or further to syndicating said loans or stated different one capable of loan syndication to solve a problem found in loan trading. In view of the above, we respectfully submit that prima facie for obviousness has not been satisfied. As such the applicant submits that claim 21 is patentable over what is known in the art and over Herschkorn.

Claim 22.

Claim 22 includes the programmable auction routine and this claim is dependent on Claim 21 and therefore includes all the limitations. The pertinent question is whether a trade matching function found in Herschkorn teaches an auction routine ? As auction

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routine is to place manual, automatic bid incrementally and placing of conditional bid, we submit these are not found in Herschkorn's Claim 3 as evidenced by the examiner and in view of Claim 2. The word 'match' means the system is looking to match an offer and bid else it waits until the appropriate bid and offer could be match to execute a trade.

5 Auction on the other hand waits for bidders to outbid each other, ie higher incremental value within a predetermined time.

Alternatively, while Herschkorn taught of many type of auctions for his loan offer including a reverse-offer bank loan auction, his teaching is for auctioning of loans
10 (existing loans) and not as in our claimed invention for loan syndication auctioning, ie to get potential lenders to bid for the right to form a syndicate with others. As mentioned, this process involves picking a number (more than one) of potential lenders at the end (being a syndicate). The result could not be ONE winner at the end as per ordinary auction process found in Herschkorn or otherwise.

15 See for example from Herschkorn under Summary of Invention "In accordance with another embodiment of the present invention, apparatus and method are provided for carrying out an auction by placing by a seller of an existing bank loan, disclosing to participants in the bank loan auction information regarding the bank loan for sale, setting
20 by the seller start and end time parameters by designating a start time and an end time, respectively, of the bank loan auction, receiving, after the start time, bids for the bank loan for sale from the participants in the bank loan auction, closing the bank loan auction at the end time, identifying the largest participant who made the largest, and conducting a trade for the bank loan for sale between the seller and said one of the participants. "

25 The words " one of the participants" means there is only ONE winner. So the question is why would Herschkorn modify to select a number of winners ?

30 Lastly, even if auction routine is well known in the art, there is nothing to show our claimed auction routine for loan syndication over a network, particularly where the aim is to select a number of potential lenders instead of ONE winner. Therefore, it would not have been obvious for one viewing Herschkorn in light to what is known in the art to provide for the claimed auction routine for loan syndication. As such the applicant submits that claim 22 is patentable over Herschkorn and what is known in the art.

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Claim 23

40 Claim 23 includes the programmable feedback routine and this claim is dependent on Claim 21 and therefore includes all the limitations. Similarly a feedback routine is not found in Herschkorn. A rating system found in trading of loans is not comparable to a feedback routine. As Herschkorn deals with a loan trading system, there could not be a possible motivation to include a feedback routine such as found in our specification. Our

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feedback routine provides an opportunity for syndicating members to negotiate as well and to post and receive information anonymously or otherwise. As we mentioned such members are potential lenders which are not found in Hersckorn since loan buyers are NOT potential lenders. Loan buyers are buying an asset (loan) for themselves while
5 potential lenders are desirous to create the loan (asset) with others. Potential lenders have to negotiate the terms of loans while loan buyers only have to submit a bid or ask price for a loan in view of the respective borrower's credit risk as found in a rating system. In fact, it is well known once a loan is executed there is nothing to negotiate necessitating a feedback routine as this is the nature of a settled loan contract.

10 The examiner did not provide any reason why one skilled in the art of trading loan could see the benefits of a feedback routine as found in this claim nor any problem could be found necessary to show such a requirement. Therefore, it would not have been obvious for one viewing Hersckorn in light to what is known in the art to provide for an auction
15 routine as in the claimed invention. As such the applicant submits that claim 23 is patentable over Hersckorn and what is known in the art.

Claim 24

20 This claim deals with specifically claiming co-operative amendments for a loan document over a network and incorporates limitations found in Claim 21 which it depends. This is achieved through the feedback routine (communication channel) to negotiate the terms and conditions of the loan thereafter incorporated in the loan document and by downloading the loan document and uploading it viewable by all or updating online.

25 To illustrate this (as an example) using Fig 7 at box 610, member A could ask a question " Hey OCBC, your term period is too long, can you reduce to 6 yrs instead ? ". Member B who read this online could send something like " I agree its too long, and I can agree to 6 yrs as well". Member C who read both could response saying " I prefer 4 yrs". Loan
30 Syndicator 'OCBC' after reading these feedback could reply " Let me ask borrower " which is viewable by all. If Borrower agrees, then Loan Syndicator can respond " Updated to 6 yrs as per majority, please see amended document ".

35 Hersckorn has no such requirement and no motivation could be found or evidenced by the examiner. In fact it is well known that once a loan document is executed, there could not be any amendments to said loan document. This is the nature of an agreement or contract. In Hersckorn, the art deals with trading of loans and by its very nature being a loan, the loan is 'traded' normally by assignment. This must mean the underlying main loan contract is signed, sealed and delivered. To suggest that this agreement could be
40 amended later co-operatively over a network by participants is unsound. Assignment is by itself an agreement which must be provided in the main loan contract but there is nothing in Hersckorn to show amending such agreement to facilitate a sale or by amending the main loan document. An assignment agreement being separate to a loan

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document is usually included, as part of the original documentation and this agreement could not be amended later is well known in the art. There could not be any motivation to do so as the Hersckorn's object is to facilitate a sale for a loan instrument and not in drafting a loan document/assignment document to facilitate a loan syndication (subject matter not obvious in Hersckorn). Further, there is no evidence to show it is well known to co-operatively amend a loan document by syndicating members.

The examiner also did not provide any reason why one skilled in the art of trading loan could see the benefits of this feature nor any problems in Hersckorn evidencing the necessity of such a feature such as to motivate one skilled in the art. Therefore, it would not have been obvious for one viewing Hersckorn in light to what is known in the art to provide for this element as in the claimed invention. As such the applicant submits that claim 24 is patentable over Hersckorn and what is known in the art.

15 TYPOGRAPHIC ERROR

Claim 17.

17. (Currently Amended) The server as described in claim 15 ~~wherein the auction routine~~ further includes means for enabling a loan syndicator and final borrower to accept new bids in access of the total loan commitment where agreeable by other lenders and to substitute new lenders' bids where acceptance in principle lenders have withdrawn from the syndication facility.

25 We also like to draw the examiner's attention to our response Aug 29-2004 at claim 17, there is a typographic error relating to the word 'access' which should read 'excess' to mean surplus. As such, we respectfully ask the examiner to further amend Claim 17 as below.

30 17. (Currently Amended) The server as described in claim 15 ~~wherein the auction routine~~ further includes means for enabling a loan syndicator and final borrower to accept new bids in ~~access~~ excess of the total loan commitment where agreeable by other lenders and to substitute new lenders' bids where acceptance in principle lenders have withdrawn from the syndication facility.

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Conclusion

5 As such the applicant respectfully submits that ALL claim as discussed above, patentable
over Herschkorn in view of what is known in the art. We respectfully thank the examiner
for pointing these issues to us and allowing us the opportunity to explain further. As for
claim 17, this is an oversight on our part which we only recently discovered and we
respectfully ask the examiner to allow the amendment. This is only a typographic error as
the word 'access' is not meaningful as applied in Claim 17 as submitted earlier.

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5

Declaration 37 CFR 1.132

10 I hereby declare that all statements made herein of my own knowledge are true and that
all statements made on information and belief are believed to be true; and further that
these statements were made with the knowledge that willful false statements and the like
so made are punish able by fine or imprisonment, or both, under section 1001 of Title 18
15 of the United States Code, and that such willful false statements may jeopardize the
validity of any application, any patent issuing thereon, or any patent to which this verified
statement is directed.

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35 21 Dec 2004